



NEW MICHIGAN SAVES PILOT PROGRAM

Tax Credit Bridge Financing for Nonprofit and Governmental Entities

Michigan Saves is piloting a bridge financing program to facilitate access to the Inflation Reduction Act's (IRA's) "direct pay,"¹ also known as "elective pay," provisions for qualifying renewable energy and battery storage clean energy projects. This Michigan Saves financing prefunds the estimated tax credit for eligible upgrades, with the financing paid back in full when the credit is received from the Internal Revenue Service (IRS).

Michigan Saves Tax Credit Bridge Financing Summary

Eligible properties and entities	Facilities owned or operated by tax-exempt organizations (e.g., 501(c)3s; local, state, and tribal governments; and public school districts) eligible for direct pay tax credits under the IRA
Eligible measures	<ul style="list-style-type: none">• Solar, battery storage, and geothermal that are eligible for the federal investment tax credit (ITC).• No minimum utility bill savings required unless needed for specific low-income tax credit bonuses
Financing amount and term	Minimum amount: \$20,000 Maximum amount: \$250,000 ² Term: Upon receipt of direct pay credits Maximum term: 24 months
Interest rate	3.99%
Fees and expenses	1% origination fee \$250 documentation fee
Repayment	Interest only; principal repaid upon receipt of direct pay credits
Collateral	Proceeds from direct pay tax credits for financed project as set forth in loan agreement and a UCC filing on the equipment

¹ For additional information about direct/elective pay, visit the IRS website: <https://www.irs.gov/credits-deductions/elective-pay-and-transferability-frequently-asked-questions-elective-pay>.

² Michigan Saves will consider projects over \$250,000 on a case by case basis.

How it works

1 Work with a Michigan Saves authorized contractor for commercial loans to identify a qualified project and apply for the financing.

2 To initiate the financing application, submit the following to Michigan Saves via our lending partner, TEAM Financial, at will.bulkowski@teamfinancialgroup.com

- Proof of tax-exempt status
- Project scope of work, cost estimate, and schedule
- Description of tax credits being sought (contact Michigan Saves or TEAM Financial for more information)
- Copy of application to utility to interconnect solar facility

Upon review of these materials, Michigan Saves or TEAM Financial will follow up for additional underwriting documentation, including, but not limited to:

- Two years of financials (audited, compiled, or reviewed)
- Approval from governing body
- Applicable permits
- Evidence of borrower's contribution
- Articles of incorporation and/or bylaws

3 Upon financing approval and closing, the contractor proceeds with installation of energy improvements, with Michigan Saves disbursing the financing amount in two installments (final installment after the project is placed in service).

4 The borrower will file for applicable tax credits in the first year after the project is operational and pay back the Michigan Saves financing when the tax credit is received or in 24 months, whichever is sooner.

More about the investment tax credit

The IRA allows nonprofit 501(c)(3) organizations and governmental entities, for the first time, to qualify for the ITC for purchases of clean energy technologies, including solar, battery storage, geothermal, and combined heat and power. While these entities could previously attempt to receive tax benefits indirectly by contracting with third parties for solar or other projects, they could not own the clean energy project under this arrangement.

Information on “direct pay” provisions of the federal investment tax credit is available at michigansaves.org. The borrower is solely responsible for determining their organization's eligibility for the ITC and Michigan Saves strongly encourages potential borrowers to consult a qualified tax attorney before beginning this process. Michigan Saves will not provide any advice on, nor make a determination of, an organization's ITC eligibility. If Michigan Saves provides bridge financing to a customer whose ITC eligibility is later rejected, the borrower must still repay the bridge financing per the terms of the financing and security agreement.